

DESOTO HIGH SCHOOL ALUMNI ASSOCIATION
Mansfield, Louisiana

Financial Statements

December 31, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3 - 8 - 06

Desoto High School Alumni Association
Mansfield, Louisiana

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WILLIAM E. WEATHERFORD, CPA, LLC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors of
the DeSoto High School Alumni Association

I have reviewed the accompanying statement of financial position of the DeSoto High School Alumni Association (a nonprofit corporation) as of December 31, 2005, and the related statements of activities, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards* issued by the Comptroller General of the United States of America.. All information included in these financial statements is the representation of the management of the DeSoto High School Alumni Association.

A review consists principally of inquiries of Association personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, I have issued a report dated February 28, 2006, on the results of our agreed-upon procedures.

William E. Weatherford, CPA, LLC

William E. Weatherford, CPA, LLC
Shreveport, Louisiana
February 28, 2006

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DESOTO HIGH SCHOOL ALUMNI ASSOCIATION
Mansfield, Louisiana

Statement of Financial Position

December 31, 2005

ASSETS

Current Assets:

Cash and cash equivalents	\$ 47,718
Prepaid expenses	<u>1,510</u>
Total current assets	49,228

Furniture, Equipment, and Leasehold

Improvements - at cost (net of accumulated depreciation and amortization of \$ 13,239)	<u>46,726</u>
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Total Assets	<u><u>\$ 95,954</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 4,496
Accrued expenses	2,311
Compensated absences payable	2,734

Deferred revenues:

Foster Grandparent Program	504
Current portion of long-term debt	<u>2,698</u>
Total current liabilities	12,743

Long-term debt, less current portion	<u>8,491</u>
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Total Liabilities	<u>21,234</u>
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Net Assets:

Unrestricted net assets:

Undesignated	27,994
Fixed assets	<u>46,726</u>
Total Net Assets	<u>74,720</u>

Total Liabilities and Net Assets	<u><u>\$ 95,954</u></u>
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See accompanying notes and accountant's report.

DESOTO HIGH SCHOOL ALUMNI ASSOCIATION
Mansfield, Louisiana

Statement of Activities

For the Year Ended December 31, 2005

PUBLIC SUPPORT AND REVENUES

Memberships	\$ 5,410
Rent of facilities	5,547
Special projects	6,594
Special events	22,419
Contributions	23,550
Grants:	
Corporation for National and Community Service	249,147
Federal Emergency Management Agency	46,245
Office of Elderly Affairs	13,974
Decentralized Arts Funding Program	3,638
Miscellaneous	<u>1,640</u>
Total Public Support and Revenues	<u>378,164</u>

EXPENSES

Program expenses:	
Foster Grandparent Program	263,121
Hurricane Relocation Program	46,245
Administration and general	21,339
Fundraising	<u>915</u>
Total Expenses	<u>331,620</u>
Change in net assets	46,544
Net assets, beginning of year	<u>28,176</u>
NET ASSETS, END OF YEAR	<u>\$ 74,720</u>

See accompanying notes and accountant's report.

DESOTO HIGH SCHOOL ALUMNI ASSOCIATION
Mansfield, Louisiana

Statement of Cash Flows

For the Year Ended December 31, 2005

CASH FLOWS USED FOR OPERATING ACTIVITIES:

Change in net assets	\$ 46,544
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation	4,744
Amortization	1,798
Increase in accounts payable	4,496
Increase in accrued expenses	3,954
Increase in prepaid expenses	(563)
Decrease in deferred revenues	<u>(62,627)</u>
Net Cash Used by Operating Activities	<u>(1,654)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisitions of furniture, equipment, and leasehold improvements	<u>(9,920)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on bank loan	<u>(6,135)</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,709)
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CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	<u>65,427</u>
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CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 47,718</u></u>
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Supplemental Disclosure:

Interest Paid	<u><u>\$ 1,560</u></u>
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See accompanying notes and accountant's report.

NOTES TO FINANCIAL STATEMENTS

DESOTO HIGH SCHOOL ALUMNI ASSOCIATION
Mansfield, Louisiana

Notes to Financial Statements

For the Year Ended December 31, 2005

Introduction:

The Desoto High School Alumni Association (the Association) is a nonprofit corporation organized on July 25, 1994 under the provisions of Louisiana Revised Statute 1950, Title 12, Chapter 2, as amended.

All residents of DeSoto Parish and particularly graduates of DeSoto Parish Training School and DeSoto High School are entitled to membership in the Association. The purpose of the Association is to provide quality and innovative educational, recreational, and inspirational programs that further the common good and general welfare of the community and to bring about civic betterments and social improvements. The Association encourages plans and programs calculated to improve living conditions in DeSoto Parish. It is an advocate for the advancement of early education and for the stimulation and motivation of young people in shaping behavior for positive growth.

The Association is governed by a board of directors which shall consist of no less than 7 nor more than 19 members of the Association and a board of trustees consisting of no less than 5 nor more than 15 members of the Association elected by the full membership at the annual meetings. Members of the board of directors and board of trustees are elected to staggered three year terms.

The Association operates the DeSoto Multi Cultural Community Center and has also contracted with the Corporation for National and Community Service to administer the Foster Grandparent Program. Foster Grandparents serve in schools, hospitals, drug treatment centers, juvenile offender facilities, Head Start centers, child care centers and other community and home-based sites. Among their diverse assignments, Foster Grandparents help children who have been abused, neglected, or are otherwise at risk; mentor troubled teenagers and young mothers; care for premature infants and children with physical disabilities; and teach reading to children who are falling behind grade level.

The Association's support comes primarily from membership dues, individual donor's contributions, and various government and arts agency grants.

Note 1. Summary of Significant Accounting Policies:

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and accordingly reflect all significant receivables, payables, and other liabilities.

DESOTO HIGH SCHOOL ALUMNI ASSOCIATION
Mansfield, Louisiana

Notes to Financial Statements

For the Year Ended December 31, 2005

Note 1. Summary of Significant Accounting Policies - Continued:

Basis of Presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for Profit Organizations*. Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2005, the Association had no temporarily or permanently restricted net assets.

Public Support and Revenue:

Annual Association membership fees and unconditional promises to give are recorded as unrestricted support as received.

Grants and other contributions of cash or other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Cash Equivalents:

The Association considers deposits that can be redeemed on demand and all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Prepaid Expenses:

Payments made to vendors for services that will benefit periods beyond December 31, 2005 are recorded as prepaid expenses.

DESOTO HIGH SCHOOL ALUMNI ASSOCIATION
Mansfield, Louisiana

Notes to Financial Statements

For the Year Ended December 31, 2005

Note 1. Summary of Significant Accounting Policies - Continued:

Furniture, Equipment, and Leasehold Improvements:

Furniture, equipment, and leasehold improvements are capitalized at cost. It is the Association's policy to capitalize expenditures for those items in excess of \$1,000. Lesser amounts, minor replacements, maintenance and repairs are expensed as incurred. When furniture and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Furniture and equipment are being depreciated over estimated useful lives of five to seven years using a straight-line method, with a half of a year's depreciation recognized in the years of acquisition and disposal. Leasehold improvements are being amortized over useful lives of 15 years.

Deferred Revenues:

Deferred revenues arise when the Association receives resources before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Association has a legal claim to the resources, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

Compensated Absences:

All full-time employees of the Association earn from 5 to 25 days of vacation leave each year, depending on length of service. Employees are not allowed to carry forward earned vacation and forfeit, without pay, leave not taken during the calendar year. All full-time employees of the Association also earn 2 personal days per year. Payment in lieu of time off is prohibited and personal days not used in any calendar year will be forfeited without pay.

Sick leave is provided to all full-time employees of the Association at the rate of one-half day per month to a maximum of 10 days in a calendar year. Sick leave can not be carried forward and unused sick leave is forfeited, without pay, at year end.

Volunteers of the Foster Grandparent Program are limited to 20 hours of pay each week. Any time worked by a volunteer in excess of twenty hours in a one week period is accumulated as compensatory time. This available time off with pay, which may be taken at any time and is carried forward from year to year, is recorded by the Association as a current liability.

Income Taxes:

The Association is a nonprofit organization as described in Section 501 (c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes.

DESOTO HIGH SCHOOL ALUMNI ASSOCIATION
Mansfield, Louisiana

Notes to Financial Statements

For the Year Ended December 31, 2005

Note 1. Summary of Significant Accounting Policies - Continued:

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Note 2. Furniture, Equipment, and Leasehold Improvements:

The following is a summary of furniture, equipment, and leasehold improvements as of December 31, 2005:

Furniture and equipment	\$ 30,593
Leasehold improvements	<u>29,372</u>
	59,965
Less accumulated depreciation and amortization	<u>13,239</u>
Total	<u>\$ 46,726</u>

Depreciation expense totaled \$4,744 and amortization expense totaled \$1,798 for the year ended December 31, 2005.

Note 3. Donated Services:

The Association receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

Note 4. Long-term Debt:

Long-term debt consists of the following at December 31, 2005:

Promissory note payable to bank in monthly installments of \$285, including interest at 7.25%, due on April 11, 2007, secured by all deposit accounts and certificates of deposit acquired by the Association	\$ 11,189
Less current portion	<u>2,698</u>
Long-term debt, less current portion	<u>\$ 8,491</u>

DESOTO HIGH SCHOOL ALUMNI ASSOCIATION
Mansfield, Louisiana

Notes to Financial Statements

For the Year Ended December 31, 2005

Note 4. Long-term Debt - Continued:

Future maturities of long-term debt are as follows as of December 31, 2005:

2006	\$ 2,698
2007	8491
	<u>\$ 11,189</u>

Note 5. Cooperative Endeavor Agreement:

On June 20, 1995, the DeSoto High School Alumni Association entered into a cooperative endeavor agreement pursuant to the provisions of Section 14 (C) of Article VII of the Louisiana Constitution of 1974 with the DeSoto Parish School Board. Under the terms of this agreement, the DeSoto Parish School Board agreed to transfer, grant and deliver the former DeSoto Junior High School buildings and site located at 1216 Old Jefferson Highway, Mansfield, Louisiana to the Association. The Association assumed full control and use of the DeSoto Junior High School buildings and site and is solely responsible for the costs and expense to operate and maintain the property and to carry specified insurance coverage.

The Association agreed to assist the School Board, at its sole cost and expense, to provide various programs including but not limited to : after-school study hall, remediation courses for elementary and secondary school students, summer school courses for students, tutoring for elementary and secondary school students, physical education such as softball and basketball, and counseling programs such as drug education.

In the event that the Association fails to provide education programs as set forth in the agreement, to adequately maintain the property, or to provide and maintain the insurance coverage as required, the property and all of its buildings, appurtenances, and accessories revert back to the full control and use of the School Board. The Association has the right to terminate the agreement at any time by giving the School Board thirty days' written notice of its intent to terminate.

Note 6. Contingencies

The Association is currently named as a co-defendant in a wrongful death lawsuit filed by the survivors of an employee of the City of Mansfield, Louisiana injured on property acquired by the Association through a cooperative endeavor agreement with the DeSoto Parish School Board. The Association believes that the claim is without merit and plans to vigorously defend its position. The ultimate outcome of this litigation cannot presently be determined. However, in management's opinion, an adverse opinion in excess of insurance coverage is remote. Accordingly, adjustments, if any, that might result from the resolution of this matter have not been reflected in the financial statements.

WILLIAM E. WEATHERFORD, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
the DeSoto High School Alumni Association

I have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of the DeSoto High School Alumni Association, the Legislative Auditor, State of Louisiana, and the Governor's Office of Elderly Affairs solely to assist the users in evaluating managements assertions about the DeSoto High School Alumni Association's compliance with certain laws and regulations during the year ended December 31, 2005 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Federal, State, and Local Awards

1. Determine the amount of Federal, state and local award expenditures for the fiscal year, by grant and grant year.

Federal Grant Name	Grant Year	CFDA No.	Amount
Foster Grandparent Program	10/1/04-9/30/05	94.011	\$ 183,267
Foster Grandparent Program	10/1/05-9/30/06	94.011	65,880
FEMA	2005	97.036	46,245
Office of Elderly Affairs	2005	CFMS#603937	13,974
			<u>\$ 309,366</u>

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PHONE 318-869-1055 FAX 318-869-4736

2. For each Federal, state, and local award, I randomly selected 6 disbursements from each award administered during the period under examination, provided that no more than 30 disbursements would be selected.
3. For the items selected in procedure 2, I traced the six disbursements to supporting documentation as to proper amount and payee.

I examined supporting documentation for each of the six selected disbursements and found that the payment was for the proper amount and made to the correct payee.

4. For the items selected in procedure 2, I determined if the six disbursements were properly coded to the correct fund and general ledger account.

All the payments were properly coded to the correct fund and general ledger account.

5. For the items selected in procedure 2, I determined whether the six disbursements received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated approval from the director and assistant director.

6. For the items selected in procedure 2: For Federal awards, I determined whether the disbursements complied with the applicable specific program compliance requirements summarized in the Compliance Supplement and for state and local awards, I determined whether the disbursements complied with the grant agreement relating to:

Activities allowed or unallowed:

I reviewed the previously listed disbursements for types of services allowed or not allowed. All disbursements complied with the allowability requirements.

Eligibility

I reviewed the previously listed disbursements for eligibility requirements. All disbursements complied with the eligibility requirements.

Reporting

I reviewed the previously listed disbursements for reporting requirements. All disbursements complied with the reporting requirements.

7. For the programs selected for testing in item (2) that had been closed out during the period under review, I compared the close-out report, when required , with the entity's financial records to determine whether the amounts agree.

The six disbursements selected included one Federal program that was closed out during the period of my review. I compared the close out reports for this Federal program with the entity's financial records. The amounts reported on the close-out report agreed to the entity's financial records.

Meetings

8. I examined evidence indicating that the agendas for meetings recorded in the minute book were posted as an open meeting as required by LSA-RS 42:1 through 42:12 (the open meetings law).

The DeSoto High School Alumni Association is only required to post a notice of each meeting and the accompanying agenda on the door of the Associations office building. Although management has asserted that such documents were properly posted, I could find no evidence supporting such an assertion.

Comprehensive Budget

9. For all grants exceeding five thousand dollars, I determined that each applicable Federal, state, or local grantor agency was provided with a comprehensive budget of those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance.


The DeSoto High School Alumni Association provided comprehensive budgets to the applicable Federal and state grantor agencies for the programs mentioned previously. These budgets specified the anticipated uses of the funds, estimates of the duration of the projects, and plans showing specific goals and objectives that included measures of performance.

Prior Comments and Recommendations

10. The Association had no prior year suggestions, recommendations, and/or comments.

I was not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of management of the DeSoto High School Alumni Association, the Legislative Auditor, State of Louisiana, and the Governor's Office of Elderly Affairs and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.


William E. Weatherford, CPA, LLC
Shreveport, Louisiana
February 28, 2006

DESOTO HIGH SCHOOL ALUMNI ASSOCIATION
Mansfield, Louisiana

Summary of Findings

For the Year Ended December 31, 2005

Item: 2005-1

Criteria or specific requirement:

Louisiana Revised Statute 42:1 through 42:12 requires the Association to open the meetings of the board of directors to the general public, as they relate to public funds. LSA-RS 42:7 requires the Association to post a notice of each meeting and the accompanying agenda at its principal office no less than 24 hours prior to the meeting.

Condition:

The DeSoto High School Association has not notified the general public of its meetings by posting a written notice at its principal office or by publication of the notice in the official journal.

Questioned costs:

None

Context:

The Association is not in compliance with Louisiana Revised Statutes 42:1 through 42:12.

Effect:

The general public has not been allowed to participate in board meetings as they pertain to public funds, (i.e. the Foster Grandparent Program).

Cause:

Unknown

Recommendation:

We suggest that the Association post a written notification of the board of director meetings and the related meeting agendas at its principal office location at least 24 hours prior to the time of the meetings.

Management's Response:

Written notification of all future board of director meetings and the related agendas will be posted at the Association's principal office location at least 24 hours prior to the time of the meetings.

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Quasi-public Entities)

February 13, 2006

William E. Weatherford, CPA, LLC
470 Ashley Ridge Blvd.
Shreveport, LA 71106

In connection with your review of our financial statements as of December 31, 2005 and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of February 13, 2006.

Federal, State, and Local Awards

We have detailed for you the amount of Federal, state and local award expenditures for the fiscal year, by grant and grant year.

Yes ☒ No ☐

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and grantor officials.

Yes ☒ No ☐

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes ☒ No ☐

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the OMB Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes ☒ No ☐

Open Meetings

Our meetings, as they relate to public funds, have been posted as an open meeting as required by LSA-RS 42:1 through 42:12 (the open meetings law).

Yes ☒ No ☐

Budget

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

Yes ☒ No ☐

Prior Year Comments

We have resolved all prior-year recommendations and/or comments.

Not Applicable

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the federal, state, and local grants, to include the applicable laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We will also disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance which may occur up to the date of your report.

Barbara Hubbard Secretary February 13, 2006
Hopita L. L. L. Treasurer February 13, 2006
Dean M. L. L. President February 13, 2006

WILLIAM E. WEATHERFORD, CPA, LLC
CERTIFIED PUBLIC ACCOUNTANT

MANAGEMENT LETTER

To the Board of Directors of
the DeSoto High School Alumni Association

I have reviewed the financial statements of the DeSoto High School Alumni Association as of and for the year ended December 31, 2005, and have issued my report thereon dated February 28, 2006. I conducted my review in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards* issued by the Comptroller General of the United States of America.

During the course of my review, I became aware of the following matters which represent immaterial deviations of compliance or suggestions for improved internal controls.

Item: ML 2005-1

Criteria or specific requirement:

Effective internal control requires petty cash to be maintained under the impress system.

Condition:

Petty cash is not maintained in a manner that allows effective internal control over the funds.

Questioned costs:

Undetermined

Context:

The Association has established a petty cash fund and set the dollar amount for the fund but does not have internal controls in place to properly account for these monies.

Effect:

Disbursements made through petty cash might not be properly recorded in the records of the Association.

Cause:

Petty cash is not properly controlled through the impress system.

Recommendation:

I suggest that the Association maintain the limit for its petty cash account at the amount set by the By-Laws. Only one individual should be responsible for and allowed access to the petty cash funds. All reimbursements to the petty cash should be made payable to the individual responsible for the monies and should be supported by invoices or receipts for the money spent.

Management's Response:

The Association will immediately begin accounting for petty cash under the impress system.

Item: ML 2005-2

Criteria or specific requirement:

The Immigration and Naturalization Service requires the Association to obtain a fully completed Form I-9 from each individual hired.

Condition:

The Association does not have a completed Form I-9 for each of its employees.

Questioned costs:

None

Context:

The Association has no documentation to provide proof of due diligence to avoid employment of illegal aliens.

Effect:

The Association is not in compliance with Federal Regulations.

Cause:

Unknown.

Recommendation:

I suggest that the Association obtain fully completed Forms I-9 for all of its employees.

Management's Response:

The Association has obtained a fully completed Form I-9 from each of its employees.

Item: ML 2005-3

Criteria or specific requirement:

The Internal Revenue Service requires the Association to prepare a Form 1099 to report the earnings of any individual paid \$600 or more for services provided to the Association during the calendar year.

Condition:

Several individuals who received pay from the Association in excess of \$600 during the calendar year ended December 31, 2005 were not provided a Form 1099.

Questioned costs:

None

Context:

The Association has not filed required forms with the Internal Revenue Service.

Effect:

The Association is not in compliance with Federal Regulations and is subject to penalties for failure to file required Forms 1099.

Cause:

Unknown.

Recommendation:

I suggest that the Association obtain a fully completed Form W-9 from all individuals providing services. A Form 1099 should be prepared to report earnings in excess of \$600 by any individual to the Internal Revenue Service.

Management's Response:

The Association will immediately implement a policy requiring all individuals providing services to the Association to provide a fully completed Form W-9 prior to receiving payment. The Association will prepare and file the required Forms 1099.

Item: ML 2005-4

Criteria or specific requirement:

Good internal control requires segregation of incompatible duties.

Condition:

The Assistant Director prepares check requests and the Director approves payment of the check requests. The signature stamp for the Association's checks is controlled by the Director and the Assistant Director.

Questioned costs:

None

Context:

Employees responsible for requesting and approving disbursements have control over the signature stamp authorizing the Association's banks to fund those disbursements.

Effect:

This lack of segregation of incompatible duties is a serious internal control weakness.

Cause:

Unknown.

Recommendation:

I suggest that a member of the board of directors assume control of the signature stamp. Periodically, that board member should review the documentation supporting the disbursements, initial the supporting documentation to indicate approval, and stamp the disbursement checks.

Management's Response:

The Director and Assistant Director will immediately cease stamping checks with the authorizing signatures. A member of the board of directors will be responsible for the signature stamp.

I recommend management address the foregoing issues as an improvement to operations and the administration of public programs. I am available to further explain the suggestions or to help implement the recommendations.

William E. Weatherford, CPA, LLC

William E. Weatherford, CPA, LLC
Shreveport, Louisiana

February 28, 2006